

Village Of Perrinton
Financial Statements
February 28, 2005



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Financial Statements
February 28, 2005

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Village Of Perrinton
Village Council And Personnel
February 28, 2005

Douglas Antes	President
Maxine Martin	Clerk
Barbara Helms	Treasurer
Franklin Biddinger	Councilperson – pro tem
Don Andrews	Councilperson
Patricia Askegard	Councilperson
William Knight	Councilperson
Larry Blair	Councilperson
Kelly Neubauer	Councilperson
Darren Lambert	Water And Sewer Commissioner
William Troub	Fire Chief
Donald Andrews	Street Commissioner
Frank Biddinger	Sewer Authority Board
Donald Andrews	Sewer Authority Board



Independent Auditor's Report

Members Of The Village Council
Village Of Perrinton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Perrinton as of and for the year ended February 28, 2005, which collectively comprise the Village of Perrinton's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Perrinton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Perrinton, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, in 2005, the Village of Perrinton has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2005 on our consideration of the Village of Perrinton's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages I – V, and budgetary comparison information on pages 24-27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Perrinton's basic financial statements. The required supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 11, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

VILLAGE OF PERRINTON MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to be an easily readable analysis of the Village of Perrinton financial activities based on currently known facts, decisions or conditions for the fiscal year ending February 28, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Perrinton's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The ***statement of net assets*** presents information on all of the Village's assets and liabilities, with the difference between the two reported as ***net assets***. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The ***statement of activities*** presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as fire runs receivable.

Both the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (***governmental activities***) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (***business-type activities***). The **governmental activities** of the Village include: general government, road projects, public safety and culture and recreation.

The government-wide financial statements can be found on pages 1 & 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Perrinton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Perrinton maintains four (4) individual governmental funds, including the following: General Fund, Major Street Fund, Local Street Fund, and Fire Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. All are considered to be Major Funds.

The Village adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Village's Budget to Actual comparison. Required supplementary information can be found on pages 24-27 of this report.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's position is improving or deteriorating.

The table below shows a condensed statement of net assets as of February 28, 2005:

NET ASSETS AS OF FEBRUARY 28, 2005			
	GOVERNMENTAL	BUSINESS- TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
CURRENT ASSETS	\$374,465	\$34,600	\$409,065
FIXED ASSETS	\$338,543	\$570,546	\$909,089
TOTAL ASSETS	\$713,008	\$605,146	\$1,318,154
CURRENT LIABILITIES	\$10,727	\$25,747	\$36,474
LONG TERM LIABILITIES	-	\$210,000	\$210,000
TOTAL LIABILITIES	\$10,727	\$235,747	\$246,474
NET ASSETS			
INVESTMENT IN CAPITAL ASSETS, NET OF DEBT	\$338,543	\$335,546	\$674,089
FUND BALANCE- UNRESERVED, UNDESIGNATED	\$363,738	-	\$363,738
CONTRIBUTED CAPITAL			
CAPITAL GRANTS, NET	-	\$80,139	\$80,139
GOVERNMENT CONTRIBUTION	-	\$827	\$827
TOTAL CONTRIBUTED CAPITAL	-	\$80,966	\$80,966
RETAINED EARNINGS UNRESTRICTED	-	(\$47,113)	(\$47,113)
TOTAL NET ASSETS	\$702,281	\$369,399	\$1,071,680

Business-Type Activities

The Village's business-type activities consist of the Water and Sewer Funds. The Village provides water to all the Village residents except for two (2) homes. The Village provides sewer treatment to all of the Village residents with the exception of the same two (2) homes.

Financial Highlights

Governmental Funds: As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balance of \$363,738, a decrease of \$98,487 from the prior year fund balance. This combined ending fund balance represents 145% of total governmental fund operating expenditures for the year, a decrease of 162% from the prior year.

Proprietary Funds: As of the close of the current fiscal year, the Village's enterprise fund reported ending net assets of \$369,399, a decrease of \$8,859 from the prior year net assets. These net assets represent 301% of fund operating expenditures for the year, an increase of 2% from the prior year.

Cash and Investments: The Village maintains individual checking and savings accounts for each fund through Commercial Bank. Also, there is currently one (1) certificate of deposit of ten thousand (\$10,000) for the Major Street Fund. All securities and money market funds are handled by the Edward D. Jones Financial Group.

CASH AND INVESTMENTS				
DESCRIPTION	CASH AND EQUIVALENTS	INVESTMENTS	CARRYING AMOUNT	MARKET VALUE
PETTY CASH	\$100	-	\$100	\$100
CHECKING, SAVINGS, MONEY MRKTS.	\$217,552	-	\$217,552	\$217,552
CERTIFICATES OF DEPOSIT	\$10,000	-	\$10,000	\$10,000
MUTUAL FUNDS	\$41,583	-	\$41,583	\$43,631
ASSET & MORTGAGE BACKED SECURITIES	-	\$114,512	\$114,512	\$114,512
TOTALS	\$269,235	\$114,512	\$383,747	\$385,795

Capital Assets: The Village made two major purchases this year. A used fire truck was purchased to replace the 1961 International truck. The council also purchased the property located a 118 South Robinson street to be used as the Village office. This building required extensive remodeling. Both these items required the budget to be revised.

FIXED ASSET CHANGES				
DESCRIPTION	BALANCE	ADDITIONS	DELETIONS	BALANCE
	3/1/2004			2/28/2005
LAND & BUILDINGS	\$252,567	\$71,993	-	\$324,560
EQUIPMENT	\$98,232	\$4,000	-	\$102,232
FURNITURE	\$5,794	-	-	\$5,794
FIRE EQUIPMENT	\$246,626	\$15,000	-	\$261,626
SENIOR CENTER	\$140,575	-	-	\$140,575
SEWER SYSTEM	\$1,424,420	-	-	\$1,424,420
SUBTOTALS	\$2,168,214	\$90,993	-	\$2,259,207
ACCUMULATED DEPRECIATION	(\$1,290,416)	(\$59,702)	-	(\$1,350,118)
TOTALS	\$877,798	\$31,291	-	\$909,089

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the state's shortfall in the budget means expected reductions in state-shared revenues for the 2005-2006 fiscal year. Also considered was the low interest payments and rate of return on the Village's money markets, CD's and investments which all figure into the general fund appropriations. These factors were all considered in preparing the Village's budget for the 2005-2006 fiscal year.

Rate increases for fire contracts were accepted for the 2005-2006 fiscal year. No rate increases have been proposed for hall rentals.

Contacting Village Management

This financial report is intended to provide those with an interest in the Village's finances with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village at 118 S. Robinson Street, Perrinton, Michigan, 48871

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

VILLAGE OF PERRINTON
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$185,048	\$22,427	\$207,475
Investments	176,272	-	176,272
Accounts receivable, net	2,912	12,173	15,085
Property taxes receivable	3,212	-	3,212
Due from other governmental units	7,021	-	7,021
Total Current Assets	374,465	34,600	409,065
Noncurrent Assets			
Fixed assets - net	338,543	570,546	909,089
Total Noncurrent Assets	338,543	570,546	909,089
Total Assets	713,008	605,146	1,318,154
Liabilities			
Current Liabilities			
Accounts payable	10,281	507	10,788
Accrued payroll and payroll taxes	446	-	446
Customer deposits payable	-	240	240
Current portion of long-term contract	-	25,000	25,000
Total Current Liabilities	10,727	25,747	36,474
Noncurrent Liabilities			
Water system improvement contract	-	210,000	210,000
Total Noncurrent Liabilities	-	210,000	210,000
Net Assets			
Investment in capital assets, net of related debt	338,543	335,546	674,089
Fund balance - unreserved, undesignated	363,738	-	363,738
Contributed capital	-	80,966	80,966
Retained earnings - unrestricted	-	(47,113)	(47,113)
Total Net Assets	\$702,281	\$369,399	\$1,071,680

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Functions	Program Revenues			Net (Expense) Revenue And Changes In Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities						
Legislative	\$5,795	-	-	(\$5,795)	-	(\$5,795)
General government	79,896	-	-	(79,896)	-	(79,896)
Public safety	45,262	\$20,900	-	(24,362)	-	(24,362)
Public works	45,044	18,395	\$40,835	14,186	-	14,186
Recreation	778	-	-	(778)	-	(778)
Total Governmental Activities	176,775	39,295	40,835	(96,645)	-	(96,645)
Business Type Activities						
Water and sewer	122,525	56,021	-	-	(\$66,504)	(66,504)
Total	\$299,300	\$95,316	\$40,835	(96,645)	(66,504)	(163,149)
General Revenues						
Property taxes				41,731	-	41,731
State shared revenues				45,175	-	45,175
Unrestricted investment earnings				8,390	85	8,475
Rents				10,815	6,547	17,362
Other				73	21,013	21,086
Gain (loss) on sale of assets				(4,136)	-	(4,136)
Transfers				(30,000)	30,000	-
Total General Revenues and Transfers				72,048	57,645	129,693
Change in Net Assets				(24,597)	(8,859)	(33,456)
Net Assets - Beginning Of Year (as restated)				726,878	378,258	1,105,136
Net Assets - End Of Year				\$702,281	\$369,399	\$1,071,680

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

VILLAGE OF PERRINTON
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	MAJOR FUNDS				Total	
	General Fund	Major Street Fund	Local Street Fund	Fire Fund	Governmental Funds	
					2005	2004
Assets						
Cash and cash equivalents	\$9,024	\$81,384	\$83,532	\$11,108	\$185,048	\$372,349
Investments	176,272	-	-	-	176,272	80,577
Accounts receivable, net	2,012	-	-	900	2,912	2,124
Property taxes receivable	3,212	-	-	-	3,212	4,323
Due from other governmental units	-	5,185	1,836	-	7,021	7,367
Total Assets	\$190,520	\$86,569	\$85,368	\$12,008	\$374,465	\$466,740
Liabilities						
Accounts payable	\$7,866	-	-	\$2,415	\$10,281	\$4,039
Accrued payroll and payroll taxes	446	-	-	-	446	476
Total Liabilities	8,312	-	-	2,415	10,727	4,515
Fund balances						
Fund balance - unreserved	182,208	\$86,569	\$85,368	9,593	363,738	462,225
Total fund balances	182,208	86,569	85,368	9,593	363,738	462,225
Total liabilities and fund balances	\$190,520	\$86,569	\$85,368	\$12,008	\$374,465	\$466,740

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2005

Total fund balance - governmental funds		\$363,738
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Add: capital assets	834,788	
Deduct: accumulated depreciation	<u>(496,245)</u>	
		<u>338,543</u>
Net assets of governmental activities		<u><u>\$702,281</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	MAJOR FUNDS				Total	
	General Fund	Major Street Fund	Local Street Fund	Fire Fund	2005	2004
Revenues						
Taxes	\$41,731	-	-	-	\$41,731	\$41,588
State grants	45,175	\$30,164	\$10,671	-	86,010	85,369
Charges for services	18,395	-	-	\$20,900	39,295	36,488
Interest and rents	18,191	594	360	60	19,205	18,474
Other	73	-	-	-	73	3,429
Total Revenues	123,565	30,758	11,031	20,960	186,314	185,348
Expenditures						
Legislative	5,795	-	-	-	5,795	4,142
General government	63,543	-	-	-	63,543	53,795
Public safety	500	16,114	-	27,898	44,512	38,235
Public works	31,153	-	13,891	-	45,044	46,183
Recreation	778	-	-	-	778	986
Capital Outlay	75,993	-	-	15,000	90,993	7,187
Total Expenditures	177,762	16,114	13,891	42,898	250,665	150,528
Excess (deficiency) of revenues over expenditures	(54,197)	14,644	(2,860)	(21,938)	(64,351)	34,820
Other Financing Sources (Uses)						
Gain/(loss) on investments	(4,136)	-	-	-	(4,136)	-
Operating transfers in	-	-	7,606	15,000	22,606	8,283
Operating transfers out	(45,000)	(7,606)	-	-	(52,606)	(49,205)
Total other financing sources (uses)	(49,136)	(7,606)	7,606	15,000	(34,136)	(40,922)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(103,333)	7,038	4,746	(6,938)	(98,487)	(6,102)
Fund balance, March 1	285,541	79,531	80,622	16,531	462,225	468,327
Fund balance, February 28	\$182,208	\$86,569	\$85,368	\$9,593	\$363,738	\$462,225

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Net change in fund balances - total governmental funds	(\$98,487)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	90,993
Deduct: depreciation expense	<u>(17,103)</u>
Change in net assets of governmental activities	<u><u>(\$24,597)</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	Enterprise Fund	
	2005	2004
Assets		
Current Assets		
Cash	\$22,427	\$17,524
Accounts receivable, net	12,173	13,084
Total Current Assets	34,600	30,608
Fixed Assets		
Property, plant and equipment	1,424,420	1,424,420
Less: accumulated depreciation	(853,874)	(811,275)
Total Fixed Assets	570,546	613,145
Total Assets	\$605,146	\$643,753
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$507	\$5,255
Customer deposits payable	240	240
Current portion of long-term contract	25,000	25,000
Total Current Liabilities	25,747	30,495
Long-Term Liabilities		
Water system improvement contract	210,000	235,000
Total Long-Term Liabilities	210,000	235,000
Total Liabilities	235,747	265,495
Net Assets		
Contributed Capital		
Capital grants	380,488	380,488
Less: Amortization	(300,349)	(290,963)
Total capital grants less amortization	80,139	89,525
Government's contribution	827	827
Total Contributed Capital	80,966	90,352
Retained Earnings		
Invested in fixed assets, net of related debt	335,546	353,145
Unrestricted	(47,113)	(65,239)
Total Retained Earnings	288,433	287,906
Total Net Assets	369,399	378,258
Total Liabilities and Net Assets	\$605,146	\$643,753

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	Enterprise Fund	
	2005	2004
Operating Revenues		
Charges for services	\$56,021	\$52,544
Total Operating Revenues	56,021	52,544
Operating Expenses		
Salaries and wages	14,023	18,413
Fringe benefits	4,689	5,360
Payroll taxes	1,073	1,409
Supplies	11,520	9,449
Contracted services	14,446	7,933
Memberships and dues	200	175
Communication	2,059	2,201
Insurance and bonds	2,838	2,846
Utilities	14,611	19,262
Repairs and maintenance	7,422	2,145
Depreciation	42,599	43,771
Interest	5,473	11,257
Miscellaneous	1,572	2,404
Total Operating Expenses	122,525	126,625
Net Operating Income (Loss)	(66,504)	(74,081)
Non-Operating Revenues		
Interest	85	42
Rents	6,547	7,151
Reimbursements - Fulton Township	21,013	21,195
Other	-	112
Total Non-Operating Revenue	27,645	28,500
Income (Loss) Before Operating Transfers	(38,859)	(45,581)
Operating Transfers In	30,000	40,923
Net Income (Loss)	(8,859)	(4,658)
Add: Amortization On Fixed Assets Acquired By Capital Grants That Reduces Contributed Capital From Capital Grants	9,386	9,386
Increase (Decrease) In Net Assets	527	4,728
Net Assets, Beginning	287,906	283,178
Net Assets, Ending	\$288,433	\$287,906

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	Enterprise Fund	
	2005	2004
Cash Flows from Operating Activities		
Receipts from customers	\$37,920	\$27,449
Payments to suppliers / outsiders	(65,962)	(57,948)
Payments to employees	(18,712)	(23,773)
Internal activity - payments to other funds	-	-
Other receipts	46,657	46,645
Net Cash Provided (Used) By Operating Activities	(97)	(7,627)
Cash Flows From Capital And Related Financing Activities		
Purchase of fixed assets	-	(848)
Principal and interest paid on long term contract	(25,000)	(25,000)
Net Cash (Used) By Capital And Related Financing Activities	(25,000)	(25,848)
Cash Flows From NonCapital Financing Activities		
Transfer in from general fund	30,000	40,923
Net Increase (Decrease) In Cash	4,903	7,448
Cash - Beginning	17,524	10,076
Cash - Ending	\$22,427	\$17,524
Reconciliation of Operating Income To Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	(\$38,859)	(\$45,581)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	42,599	43,771
Decrease (increase) in:		
Accounts receivable	911	(6,950)
Increase (decrease) in:		
Accounts payable	(4,748)	1,133
Net Cash Provided (Used) By Operating Activities	(\$97)	(\$7,627)

The notes to the financial statements are an integral part of this statement.



NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

New Accounting Standards Adopted

In fiscal year 2005, the Village adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- # 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – (an Amendment to No. 34)*
- # 38 – *Certain Financial Statement Note Disclosures.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Village's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Therefore, the Village's statement of net assets includes both noncurrent assets of the Village, which were previously recorded in the General Fixed Assets Account Group.

In addition to the government-wide financial statements, the Village has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Statement No. 34 also requires certain required supplementary information in the form of *Management's Discussion and Analysis* which includes an analytical overview of the Village's financial statements. In addition, budgetary comparison statements are presented that compares the adopted and modified budget for all major funds with actual results.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

Statement No. 37 amends GASB Statements No. 21 and 34. The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the accounts of all Village operations. The criteria established by GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Exceptions to this general rule include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at year-end has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state revenue sharing revenues that are restricted for use on local streets.

The Fire Fund accounts for resources used to provide fire services to residents of the Village of Perrinton and surrounding townships.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

The Village reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for services provided. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are stated at cost and include Certificates of Deposit.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown as net of allowance for uncollectible amounts.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

Inventories

The Village does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Fixed Assets

Fixed assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Fixed assets are defined by the Village as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Interest incurred during the construction of fixed assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was incurred or capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Fixed assets of the Village are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Applicable -- Not Depreciated
Buildings & Improvements	5 - 40
Senior Center	5 - 40
Equipment	5
Furniture	5
Fire Equipment	5

Long-Term Obligations

The Village reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Reservations of retained earnings are limited to outside third-party restrictions. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying fund financial statements in order to provide an understanding of changes in the Village's financial position and operations.

Budgets and Budgetary Accounting

Budgets are adopted by the Village for the general and special revenue funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the first Monday in February the council develops a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Village hall to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter the total expenditures of any fund must be approved by the Village council.
5. Budgets for the General and Special Revenue Funds are adopted at the activity level on a basis consistent with generally accepted accounting principles (GAAP).
6. The Village does not maintain a formalized encumbrance accounting system.
7. The budget, as presented, has been amended in a legally permissible manner since it was originally adopted. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 28, 2005, the Village incurred expenditures in certain functions and activities, which were in excess of the amounts appropriated, as shown on pages 24-27.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

3. DETAILED NOTES

Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorized the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any other agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the carrying amount of the Village's cash and equivalents was \$383,747 and the bank balance was \$390,981. Of the bank balance, \$210,000 was covered by federal depository insurance and \$180,981 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Village's cash and investments are summarized as follows:

Description	Cash And Equivalents	Investments	Carrying Amount	Market Value
Petty Cash	\$100	-	\$100	\$100
Checking, Savings, Money Mkts.	217,552	-	217,552	217,552
Certificates Of Deposit	10,000	-	10,000	10,000
Mutual Funds	41,583	-	41,583	43,631
Asset & Mortgage Backed Securities	-	\$114,512	114,512	114,512
Totals	\$269,235	\$114,512	\$383,747	\$385,795

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

In accordance with GASB Statement 3, investments are classified into three categories of credit risk, as follows:

Category # 1 - Insured or collateralized with securities held by the government or its agent in the government's name.

Category # 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

Category # 3 – Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the government's name.

At year end, the Village's investment balances were as follows:

U.S. Government Securities – Category # 1 - \$114,512.

Accounts Receivable

Accounts receivable in the General Fund represents amounts due from residents for trash pick up as well as other miscellaneous amounts due to the Village. Accounts receivable in the Fire Fund represents amounts due to the Village from residents for Fire/Rescue runs. Accounts receivable in the Water And Sewer Fund represents amounts due to the Village from residents for water and sewer usage.

Due From Other Governmental Units

Due from other governmental units consists of the following:

Fund / Due From	2005	2004
Local Street Fund: State Of Michigan	\$1,836	\$1,923
Major Street Fund: State Of Michigan	5,185	5,444
Totals	\$7,021	\$7,367

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

Changes in General Fixed Assets

The changes in general fixed assets are as follows:

Description	Balance 3/1/04	Additions	Deletions	Balance 2/28/05
Land & Buildings	\$252,567	\$71,993	-	\$324,560
Equipment	98,232	4,000	-	102,232
Furniture	5,794	-	-	5,794
Fire Equipment	246,626	15,000	-	261,626
Senior Center	140,575	-	-	140,575
Sewer System	1,424,420	-	-	1,424,420
Subtotals	2,168,214	90,993	-	2,259,207
Accumulated Depreciation	(1,290,416)	(59,702)	-	(1,350,118)
Totals	\$877,798	\$31,291	-	\$909,089

Segment Information - Enterprise Fund

The Village maintains one Enterprise Fund which provides water and sewer services. Segment information for the years ended February 28, 2005 and February 29, 2004 are as follows:

	2005	2004
Operating Revenues	\$56,021	\$52,544
Depreciation Expense	42,599	43,771
Operating Income Or (Loss)	(66,504)	(74,081)
Operating Transfers In	30,000	40,923
Net Income (Loss)	(8,859)	(4,658)
Plant, Property And Equipment Additions	-	848
Net Working Capital	33,853	25,113
Total Equity	369,399	378,258

Contributed Capital

Contributed capital is reduced by the amount of depreciation taken on those assets acquired with grants, entitlements and shared revenues from the state and federal government, calculated on a straight line basis over forty (40) years. At the same time a corresponding amount is added to unrestricted retained earnings.

Property Taxes

The Village property tax is levied each July 1, on the taxable valuation of property located in the Village as of the preceding December 31st. Village property taxes are recognized when levied. Taxes are payable to the Village from July 1, to March 1, at which time they are turned over to the County of Gratiot for reimbursement from its revolving tax fund. Additional information regarding property taxes is shown in the back of this report.

Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance that is purchased from independent third parties. Settled claims from these risks, if any, have not exceeded commercial insurance coverage for the past three years.

Employee Retirement System

The Village participates in the multi-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan ("MERS"). Current membership in the MERS is composed of 1 active member, 0 inactive vested members and 0 retirees and beneficiaries.

Each member contributes a percentage of his or her annual compensation.

The pension plan provides the following provisions: Normal Retirement, Deferred Retirement, Service Retirement Allowance, Disability Retirement Allowance, Non-Duty Death Allowance, Duty-Connected Death, Member Contributions, Post-Retirement Adjustments and Death-After-Retirement Surviving Spouse Benefit.

Normal Retirement – A member may retire after reaching the age of 60 with 10 or more years of service, age 55 and 15 or more years of service, or upon reaching age 50 and 25 or more years of credited service.

The "pension benefit obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funds funding status on a going concern basis, assess progress being made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement plans.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

The following information is provided to comply with GASB 25 and 27. All information shown is based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

Retirees and beneficiaries currently receiving benefits	\$0
Terminated employees not yet receiving benefits	6,122
Current employees – Accumulated employee contributions including allocated investment income	1,691
Employer financed	3,532
Total Actuarial Accrued Liability	11,345
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$21,970)	22,507
Unfunded (Overfunded) Actuarial Accrued Liability	(\$11,162)

Fiscal year beginning March 1, 2006.

Annual Required Contribution (ARC) - \$156.

Amortization Factor Used Underfunded Liabilities (30 years) – 0.053632.

Amortization Factor Used Overfunded Liabilities (10 years) – 0.119963.

Additional information regarding the plan can be found in the annual report on file at the Village Office.

Water Supply Improvement Contract

On December 1, 2001 the Village adopted a resolution to enter into a contract with the County of Gratiot to provide for the acquisition, construction and financing of the Village Of Perrinton 2002 Water Supply System Improvements pursuant to Public Act 185.

The contract includes the issuance of Bonds by the County in anticipation of payments to be made by the Village. Such payments will be sufficient to pay the principal and interest on the Bonds and that for the making of such payments the Village will pledge its limited tax full faith and credit.

The Village has recorded a liability in the Water and Sewer Fund for \$285,000, which equals the amount of the bonds issued by the County for the water supply improvements. An equal amount was recorded as additions to the fixed assets of the Water and Sewer Fund.

A schedule of payments due on this contract is shown in the back of this report.

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

Restatements

During the 2005 fiscal year, the Village has implemented various GASB Statements, as noted in Note 1 – Summary of Significant Accounting Policies. As a result of implementing the new GASB Statements, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements – None.

Government-wide financial statements

Fund balances of governmental funds – 2/29/04	\$462,225
Add: governmental capital assets, capitalized cost	743,794
Less: accumulated depreciation	(479,141)
Governmental net assets, restated	\$726,878

Village Of Perrinton
Notes To Financial Statements
February 28, 2005

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REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULES

VILLAGE OF PERRINTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variances Between Actual and Final Budget
	Original	Final		
Revenues				
Taxes	\$39,300	\$40,000	\$41,731	\$1,731
State grants	55,000	55,000	45,175	(9,825)
Charges for services	15,100	15,100	18,395	3,295
Interest	9,000	8,850	7,376	(1,474)
Rents	8,640	8,640	10,815	2,175
Sale of assets	100	100	-	(100)
Other	3,360	340	73	(267)
Total Revenues	130,500	128,030	123,565	(4,465)
Expenses				
Legislative	4,300	4,300	5,795	1,495
General government	53,700	52,700	63,543	10,843
Public safety	500	500	500	-
Public works	30,800	30,800	31,153	353
Recreation	3,600	3,600	778	(2,822)
Capital outlay	-	-	75,993	75,993
Total Expenditures	92,900	91,900	177,762	85,862
Excess (deficiency) of revenues over expenditures	37,600	36,130	(54,197)	(90,327)
Other Financing Sources (Uses)				
Gain/(loss) on investments	-	-	(4,136)	(4,136)
Operating transfers in	20,000	-	-	-
Operating transfers out	-	-	(45,000)	(45,000)
Total other financing sources (uses)	20,000	-	(49,136)	(49,136)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	57,600	36,130	(103,333)	(139,463)
Fund balance, March 1	285,541	285,541	285,541	-
Fund balance, February 28	<u>\$343,141</u>	<u>\$321,671</u>	<u>\$182,208</u>	<u>(\$139,463)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variances Between Actual and Final Budget
	Original	Final		
Revenues				
State grants	\$28,050	\$29,050	\$30,164	\$1,114
Interest	500	500	594	94
Total Revenues	28,550	29,550	30,758	1,208
Expenses				
Public safety	21,050	21,050	16,114	(4,936)
Total Expenditures	21,050	21,050	16,114	(4,936)
Excess (deficiency) of revenues over expenditures	7,500	8,500	14,644	6,144
Other Financing Sources (Uses)				
Operating transfers in	40,000	-	-	-
Operating transfers out	(40,000)	-	(7,606)	(7,606)
Total other financing sources (uses)	0	-	(7,606)	(7,606)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	7,500	8,500	7,038	(1,462)
Fund balance, March 1	79,531	79,531	79,531	-
Fund balance, February 28	\$87,031	\$88,031	\$86,569	(\$1,462)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts			Variances Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
State grants	\$17,000	\$17,000	\$10,671	(\$6,329)
Interest	350	350	360	10
Total Revenues	17,350	17,350	11,031	(6,319)
Expenses				
Public works	19,097	17,055	13,891	(3,164)
Total Expenditures	19,097	17,055	13,891	(3,164)
Excess (deficiency) of revenues over expenditures	(1,747)	295	(2,860)	(3,155)
Other Financing Sources (Uses)				
Operating transfers in	42,000	-	7,606	7,606
Operating transfers out	(40,000)	-	-	-
Total other financing sources (uses)	2,000	-	7,606	7,606
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	253	295	4,746	4,451
Fund balance, March 1	80,622	80,622	80,622	-
Fund balance, February 28	\$80,875	\$80,917	\$85,368	\$4,451

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts			Variances Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
Charges for services	\$19,810	\$19,810	\$20,900	\$1,090
Interest	100	100	60	(40)
Total Revenues	19,910	19,910	20,960	1,050
Expenses				
Public safety	23,807	19,820	27,898	8,078
	-	-	15,000	15,000
Total Expenditures	23,807	19,820	42,898	23,078
Excess (deficiency) of revenues over expenditures	(3,897)	90	(21,938)	(22,028)
Other Financing Sources (Uses)				
Operating transfers in	9,000	-	15,000	15,000
Operating transfers out	(5,000)	-	-	-
Total other financing sources (uses)	4,000	-	15,000	15,000
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	103	90	(6,938)	(7,028)
Fund balance, March 1	16,531	16,531	16,531	-
Fund balance, February 28	<u>\$16,634</u>	<u>\$16,621</u>	<u>\$9,593</u>	<u>(\$7,028)</u>

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF EXPENDITURES
FOR THE YEAR ENDING FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	2005	2004
Legislative		
Village Council		
Salaries and wages	\$4,420	\$3,504
Payroll taxes	338	268
Miscellaneous	1,037	370
	<u>5,795</u>	<u>4,142</u>
General Government		
Village President		
Salaries - president	3,740	2,712
Salaries - pro temp	1,400	1,200
Payroll taxes	393	299
	<u>5,533</u>	<u>4,211</u>
Elections		
Per diem	427	-
Office supplies	44	679
Printing and publishing	37	56
Miscellaneous	25	-
	<u>533</u>	<u>735</u>
Financial Administration		
Salary - clerk	7,895	7,359
Salary - treasurer	6,705	6,223
Salary - other	234	158
Payroll taxes	1,135	1,061
Office supplies	1,148	543
Contracted services	1,297	1,390
Membership and dues	561	561
Communications	354	191
Printing and publishing	177	698
Miscellaneous	154	596
	<u>19,660</u>	<u>18,780</u>
Village Hall And Grounds		
Communications	980	758
Electricity	439	453
Gas - heat	1,040	709
Repairs and maintenance	-	183
Supplies	1,869	192
	<u>4,328</u>	<u>2,295</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF EXPENDITURES
FOR THE YEAR ENDING FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	2005	2004
General Government		
Other Buildings And Grounds		
Supplies	\$186	\$385
Communication	483	419
Electricity	460	698
Gas - heat	1,161	1,345
Repairs and maintenance	451	266
Total other buildings and grounds	<u>2,741</u>	<u>3,113</u>
Other Village Property		
Salaries and wages	10,354	8,552
Payroll taxes	792	644
Operating supplies	2,544	3,254
Insurance and bonds	7,048	6,520
Utilities	113	84
Repairs and maintenance	8,887	5,532
Miscellaneous	1,010	75
Total other village property	<u>30,748</u>	<u>24,661</u>
Total General Government	<u>63,543</u>	<u>53,795</u>
Public Safety		
Fire protection	500	500
Total Public Safety	<u>500</u>	<u>500</u>
Public Works		
Highways And Streets		
Salary - street commission	1,200	1,200
Payroll taxes	92	92
Street lighting	5,578	6,007
Total highways and streets	<u>6,870</u>	<u>7,299</u>
Sanitation		
Contracted Services	24,283	22,476
Total Public Works	<u>31,153</u>	<u>29,775</u>
Recreation		
Repairs and maintenance	111	242
Contracted services	399	515
Electricity	268	229
Total Recreation	<u>778</u>	<u>986</u>
Capital Outlay	<u>75,993</u>	<u>5,192</u>
Total Expenditures	<u>\$177,762</u>	<u>\$94,390</u>

The notes to the financial statements are an integral part of this statement.

Village Of Perrinton
Tax Summary
For Year Ended February 28, 2005

Fiscal Year Ending	State Equalized Value	Mills Levied	Village Tax
February 28, 1999	\$3,405,303	8.9922	\$30,621
February 29, 2000	3,532,029	8.7926	31,056
February 28, 2001	3,714,635	8.5138	31,626
February 28, 2002	3,864,290	8.1681	31,564
February 28, 2003	4,074,421	9.5000	38,707
February 29, 2004	4,196,664	9.7510	40,922
February 28, 2005	4,306,747	9.6876	41,731



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Village Of Perrinton
Perrinton, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village Of Perrinton as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village Of Perrinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village Of Perrinton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Village Of Perrinton in a separate letter dated May 11, 2005.

This report is intended for the information of the audit committee, management and Village Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 11, 2005



MANAGEMENT LETTER

Members Of The Village Council
Village Of Perrinton
Perrinton, Michigan

In planning and performing our audit of the financial statements for the Village Of Perrinton for the fiscal year ended February 28, 2005, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated May 11, 2005 on the financial statements of the Village Of Perrinton.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

ROSLUND, PRESTAGE AND COMPANY, P.C.
Certified Public Accountants

May 11, 2005

Village Of Perrinton
February 28, 2005

PERFORM A FRAUD RISK ASSESSMENT

In light of the wave of notorious frauds involving large organizations in the last few years, such as Enron, WorldCom, and HealthSouth, there may be a misperception that fraud affects only large organizations. However, fraud occurs in organizations of all sizes, and almost any employee may be capable of perpetrating a fraudulent act given the right set of circumstances. In fact, fraud may be a more significant problem for small organizations. In the 2002 survey of its members conducted by the Association of Certified Fraud Examiners (ACFE), the median loss per fraud occurrence reported from businesses with 100 or fewer employees was \$127,500, a proportionately larger loss than the \$97,000 median loss in organizations with 10,000 or more employees.

Whereas the highly publicized frauds at large public organizations like Enron, WorldCom, and HealthSouth involved fraudulent financial reporting, for small organizations, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and there are inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Village of Perrinton (the Village) perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Village's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Village, its environment, and its processes. The fraud risk assessment process should consider the Village's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- Which individuals in the Village have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate individuals with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of individuals with access to assets susceptible to misappropriation.

Village Of Perrinton
February 28, 2005

- What assets of the Village are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious individuals or vendors and cashing them for personal use.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running it through as an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.
- What factors might indicate that the Village has a culture or environment that would enable management or individuals to rationalize committing fraud?

Once areas vulnerable to fraud have been identified, a review of the Village's systems, procedures, and existing controls relating to the identified areas should be conducted. The Village should consider what additional controls need to be implemented to reduce the risk of fraud. There are two basic types of controls—those that are designed to address specific types of fraud, and those that are more general in nature. General controls that reduce an individual's ability to commit fraud without detection include the following:

- Requiring Periodic Job Rotation and Mandatory Vacations. When an employee stays in the same position for a long period and has few absences, an opportunity exists for that employee to design and commit fraud schemes. Requiring key individuals to rotate jobs periodically or to transfer to different job functions is one way to address this fraud risk. Requiring all individuals to take an annual vacation, during which time others perform their job functions, also makes it more difficult for an employee who is committing fraud to continue concealing the fraud scheme.
- Preparing and Reviewing Monthly Financial Statements in a Timely Fashion. As previously mentioned, many frauds create accounting anomalies. Thus, one way to detect fraud on a timely basis is to review monthly financial statements and investigate unusual variances. If possible, these statements should include budget, prior period, and year-to-date amounts to help identify variances. Performing the review and investigation on a timely basis helps minimize the extent of potential fraud.

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Examples of controls to prevent or detect specific types of fraud include the following:

- Independent Checks of Work Performed. Independent checks test another employee's work, such as by having a second employee re-perform or test an employee's work.
- Separation of Duties. Separation of duties is one of the most effective controls to prevent or detect misappropriation of assets. When possible, incompatible duties should be performed by different employees. For example, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people in the Village to the extent possible.

When assessing the Village's internal control, the relationship between the nature and extent of fraud controls recommended and the cost of implementing those controls should be considered. For example, instead of trying to prevent fraud, the Village may choose to use more detective controls to ensure that the fraud is identified and corrected in a timely fashion. Because detective controls are performed after the original transaction occurs, they may be easier to implement and more cost effective.

We would be pleased to provide more information about performing a risk assessment or assist management in performing one.